

FY 2009 GANN LIMIT

CORRECTION TO THE APPROPRIATIONS LIMIT CALCULATION

During the calculation process for the Fiscal Year 2009 Gann Limit, an error was noticed in the previous years' methodology. Beginning in Fiscal Year 2004 and continuing through Fiscal Year 2008, the data used in Table 1, Columns B and D below were from the County's new non-residential construction. The data that should have been used is shown in Table 2, representing the City of San Diego's new non-residential construction. The difference between the actual appropriations limit of Table 2 and the previously adopted appropriations limit in Table 1 is shown in column F.

TABLE 1-Previous Gann Limit calculation

A	B	C	D	E	F
Fiscal Year	Price Adjustment (based on County data)	Population Adjustment	Total Adjustment	Adopted Appropriations Limit	Difference in calculation
2003				\$684,004,095	\$0
2004	16.05%	1.72%	18.05%	\$807,466,834	\$34,241,871
2005	12.80%	1.52%	14.51%	\$924,630,272	\$70,189,185
2006	13.54%	1.27%	14.98%	\$1,063,139,887	\$125,413,238
2007	7.61%	0.94%	8.62%	\$1,154,782,545	\$167,025,654
2008	8.20%	1.22%	9.52%	\$1,264,717,843	\$213,050,838

TABLE 2-Revised Gann Limit calculation

Fiscal Year	Price Adjustment (based on CITY data)	Population Adjustment	Total Adjustment	Actual Appropriations Limit
2003				\$684,004,095
2004	11.13%	1.72%	13.04%	\$773,224,963
2005	8.85%	1.52%	10.50%	\$854,441,087
2006	8.37%	1.27%	9.75%	\$937,726,649
2007	4.35%	0.94%	5.34%	\$987,756,891
2008	5.19%	1.22%	6.47%	\$1,051,667,005
2009	10.83%	1.34%	12.32%	\$1,181,182,812

ALTERNATIVE ADJUSTMENT FACTORS

Under Proposition 111, there are two options available for each of the major adjustment factors. The values of these factors for the purpose of calculating the Fiscal Year 2009 adjustment are as follows:

Price Factor:

- | | | |
|-----|---|---------|
| (A) | Percent growth in State per Capita Personal Income: | +4.29% |
| | (Source: Dept of Finance, California-Attachment 2A-2) | |
| (B) | Percent change in Assessed Valuation due to new non-residential construction: | +10.83% |
| | (Source: San Diego County Assessor's Office-Attachment 2B) | |

Population Factor:

- | | | |
|-----|---|--------|
| (C) | Percent growth in County Population: | +1.34% |
| | (Source: Dept of Finance, California-Attachment 2A-3) | |
| (D) | Percent growth in City Population: | +1.34% |
| | (Source: Same as 'C' above) | |

Annual Adjustment Factors:

Based upon the actual data, the four alternative adjustment factors are as follows:

$$\begin{aligned}
 (A \times C) &= (1.0429) \times (1.0134) = 1.0569 \\
 (A \times D) &= (1.0429) \times (1.0134) = 1.0569 \\
 (B \times C) &= (1.1083) \times (1.0134) = 1.1232 \text{ (rounded to 4 decimal places)} \\
 (B \times D) &= (1.1083) \times (1.0134) = 1.1232
 \end{aligned}$$

The recommended limit was calculated using the adjustment factor “(B x C)”, resulting in a 12.32% increase to the limit. Of the 4 adjustment factors above, 12.32% represents the largest allowable increase to the adjustment factor.

Calculation of the Fiscal Year 09 Limit:

$$\begin{aligned}
 \text{Fiscal Year 2009 Limit} &= (\text{FY 2008 Limit}) \times (\text{Recommended Adjustment Factor}) \\
 &= (\$1,051,667,005) \times (1.1232) = \$1,181,182,812
 \end{aligned}$$



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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May 2008

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2008, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2008-09. Enclosure I provide the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2008-09 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9, of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/const/article_13B" for additional information. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No State agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2008.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

MICHAEL C. GENEST

Director

By:

ANA J. MATOSANTOS

Chief Deputy Director

Enclosure

May 2008

Enclosure I

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2008-2009 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2008-2009	4.29

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2008-2009 appropriation limit.

2008-2009:

Per Capita Cost of Living Change = 4.29 percent

Population Change = 1.31 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.29 + 100}{100} = 1.0429$

Population converted to a ratio: $\frac{1.31 + 100}{100} = 1.0131$

Calculation of factor for FY 2008-2009:

$$1.0429 \times 1.0131 = 1.0566$$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2007 to January 1, 2008 and Total Population, January 1, 2008

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2007-2008	1-1-07	1-1-08	1-1-2008
San Diego				
Carlsbad	2.38	101,398	103,811	103,811
Chula Vista	1.51	227,501	230,945	231,305
Coronado	0.73	18,102	18,235	23,101
Del Mar	0.59	4,553	4,580	4,580
El Cajon	0.64	97,313	97,934	97,934
Encinitas	0.89	63,298	63,864	63,864
Escondido	1.07	141,874	143,389	143,389
Imperial Beach	1.71	27,726	28,200	28,200
La Mesa	0.68	56,286	56,666	56,666
Lemon Grove	0.57	25,467	25,611	25,611
National City	0.78	53,359	53,774	61,194
Oceanside	1.16	176,755	178,806	178,806
Poway	0.47	50,862	51,103	51,103
San Diego	1.34	1,305,273	1,322,701	1,336,865
San Marcos	3.61	79,863	82,743	82,743
Santee	1.59	55,193	56,068	56,068
Solana Beach	0.54	13,427	13,500	13,500
Vista	0.79	95,020	95,770	95,770
Unincorporated	1.43	437,411	443,666	491,764
County Total	1.34	3,030,681	3,071,366	3,146,274

(*) Exclusions include residents on federal military installations and group quarters' residents in state mental institutions, and state and federal correctional institutions.

**ASSESSED VALUATION ATTRIBUTABLE TO
NEW NON-RESIDENTIAL CONSTRUCTION**

Percentage of Assessed Valuation due to new non-residential construction within the City

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2006 to CY 2007)}^2} \times 100$$

$$= \frac{\$ 1,616,572,227}{\$14,926,574,001} \times 100$$

$$= 0.1083 \times 100$$

$$= 10.83\%$$

¹ Source: San Diego County Assessor's Office

² Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2007 = \$168,910,525,877

Assessed Valuation for Calendar Year 2006 = \$153,983,951,876

Change in Assessed Valuation = Assessed Valuation for 2007 - Assessed Valuation for 2006
= \$168,910,525,877 - \$153,983,951,876
= \$14,926,574,001

FY 2009 TAX APPROPRIATIONS SUBJECT TO THE GANN LIMIT

		FY 2009
Appropriations Subject to the Gann Limit *		
Property Tax		\$411,141,755
Property Tax (1) (2)		11,050,628
Sales Tax		222,081,552
Safety Sales Tax		8,114,255
Transient Occupancy Tax (TOT)		173,018,669
TOT General Fund		90,628,827
TOT Special Revenue Fund		82,389,842
Property Transfer Tax		8,901,320
Business Tax		17,810,935
Vehicle License Fee (3)		6,875,220
Interest Earnings		9,613,317
Total Unadjusted Appropriations subject to the Limit	[A]	\$868,607,651
Adjustment for appropriations not subject to the Gann Limit *		
Annual Debt Service for Voter Approved Debt (G.O. Bonds)		
1991 Public Safety Communication Bonds (2)		2,332,273
1994 Open Space Bonds		434,600
Total Annual Debt Service for Voter Approved Debt	[B]	\$2,766,873
Qualified Capital Outlays		
1994 City/MTDB Authority Refunding-Bayside Trolley Extension		2,925,813
1996A Balboa Park/Mission Bay Park Certificates of Participation		3,529,135
1996B Balboa Park/Mission Bay Park Refunding Certificates of Participation		877,130
1998 Convention Center Expansion Lease Revenue Bonds (4)		9,198,438
2002B Fire and Life Safety Facilities Project Phase I		1,611,208
2003 City/MTDB Refunding Bonds -- Old Town Light Rail Transit Extension		1,151,224
2003 Balboa Park/Mission Bay Park Refunding Certificates of Participation		2,156,739
2007A Ballpark Refunding Bonds (5)		6,314,500
Total Qualified Capital Outlays	[C]	\$27,764,187
Total Adjustment	[D = B+C]	\$30,531,060
Total Adjusted Appropriations subject to the limit	[E = A-D]	\$838,076,591
Calculation of the Gann Limit and the Gap		
Prior Year (FY 2008) Gann Limit (6)	[F]	\$1,051,667,005
Adjustment Factor	[G]	1.1232
Gann Limit for FY 2009	[H = F*G]	\$1,181,182,812
Projected appropriations are below the limit by:	[I = H-E]	\$343,106,221

(1) Ad Valorem Tax imposed for Zoological Exhibits (\$8,423,463) & annual debt service for the Public Safety Bonds (\$2,385,336).

(2) The annual debt service for the Public Safety bonds is not subject to the limit as it is a voter approved debt.

(3) Revenues from the Motor Vehicle License Fees are revenues from the State and are subject to the limit.

(4) \$4.5 million, the annual amount paid by the Port Authority, has been deducted from the total debt service

(5) \$5.0 million, the amount contributed by Centre City Development Corporation/Redevelopment Agency, has been deducted from the total debt service.

(6) This represents the actual Gann Limit for FY08 used in the FY09 calculation; the FY08 adopted Gann Limit was \$1,264,717,843

* Source: FY 2009 Proposed Budget and May Revise Budget Memo